

FINANCE AND INFORMATION SERVICES DEPARTMENT

BUDGET OVERVIEW

(\$ In Millions)	2005-2006	2005-2006	Over/	2007-2008	Budget to	2-yr %	1-yr %
	Budget	Estimate*	(Under)	Budget	Difference	change	change
Total Budget	\$11.2	\$10.7	(\$0.5)	\$13.4	\$2.2	19.7%	9.8%
Total FTEs	34.80	34.80	0.00	37.80	3.00	8.6%	4.3%

* 2005-06 estimate provided by the department.

COST DRIVERS

Salaries and Benefits up \$1.2 million

- Market and merit increases of 4.5% in 2007 and 2008. NOTE: Should not be construed as City's negotiating position.
- Medical premium increases of 13% per year.
- PERS rate increases of 132% between 2006 and 2008, as approved by the State Legislature.
- 3.0 FTEs added in Payroll, Financial Planning, and Utility Billing (see new programs section for more details).

Supplies up \$10K

- Inflationary increases of 2.6% and 2.5% for 2007 and 2008, respectively; this is the first time in seven years departments have received a small adjustment for inflation.

Services up \$269K

- Inflationary increases of 2.6% and 2.5% for 2007 and 2008, respectively.
- Public Defender Contract (professional services): new contract and higher trend in number of cases (\$175,860).
- Utility Billing and Business Licensing: postage increases (\$17,708) – 100% funded by utilities.
- Armored car services due to move to new City Hall (\$7,580).
- Fixed Asset: management software and physical inventory (\$34,000).
- Records Management System (see new programs section for more details).

Intergovernmental Payments up \$34K

- Inflationary increases of 2.6% and 2.5% for 2007 and 2008, respectively.
- Election Services: higher voter maintenance costs (\$28,943).

Interfund Transfers up \$791K

- Information Technology Transfer:
 - Additional General Fund contribution of \$796,604 due to higher salary and benefits costs as noted above, properly budgeting for enterprise software licensing and new programs for disaster recovery, data security and critical support. See Information Technology Fund for more details.
- Fleet Maintenance Transfer:
 - \$5,196 reduction due to decrease in fleet maintenance costs.

NEW PROGRAMS

To meet payroll and comply with mandates (1.0 FTE; \$116,906)

Payroll is important to maintaining a quality workforce for the City. Each employee, from Police Officers to Planners, relies on the payroll staff for an accurate paycheck on payday and accurate, timely benefit payments. The three person payroll staff is unable to keep up with the payroll demands of the City and is currently operating with an additional temporary staff person. Growth in the number of City employees and in benefit options is driving the need for an additional payroll position. No new payroll positions have been added for over ten years while the budgeted FTE count has risen from 462.11 in 1996 to 581.97 in 2006, a 25% increase. The actual number of employees paid, including supplementals, is over 700 per pay period.

New benefit programs have been added by the City and by the State Retirement System. The City recently initiated tax free medical cost sharing for dependent coverage and a tax free medical flex plan. The State Department of Retirement Systems added PERS 3 which includes 5 investment choice options for employees. Each new benefit requires initial coding in the payroll system as well as code updates when rates or benefits change. New or expanded benefits bring with them additional reporting requirements and payment remittances which are handled by the payroll staff. Continuing with insufficient staff in payroll will result in overtime demands that are likely to be followed by costly payroll staff turnover. Payroll is a critical function that enables the remainder of the City to continue operating and needs sufficient staff to do its job.

Forecasting and financial analysis (1.0 FTE; \$230,000)

The City's Financial Planning Division is responsible for facilitating development of the City's budget including its six year financial forecast, monitoring the City's revenue and expenditures against budget, and serving as internal financial consultants to the Mayor, Council and departments. Over the past several years, workload for this division has become increasingly complex and demands for fiscal analysis and support have grown while at the same time its staffing has declined 20% from 5 FTEs in 1995 to 4 FTEs today. As a result, staff has not been able to respond to a large number of the requests made of them, have been unable to implement a new budgeting and position control system due to extremely high workload, and have eliminated the annual financial conditions report as well as abandoned performance measurement and utility tax audits. One additional staff person will begin to address some of these deficiencies, but not all. Approval of this request will

restore staffing to 1995 levels and enable the Division to more effectively service the City's immediate and long-term financial planning needs.

Records Management System implementation (\$85,000, total one-time funding of \$150,000 split between City Clerk and Information Services)

Records and information are at the core of every transaction any organization undertakes. Yet the City lacks effective policies and procedures for systematic control of recorded information. As a result in 2005, the City Council approved one-time money to support an initiative to develop and implement a citywide Records and Information Management program. This system would not only provide for better management, but also allow departments to reduce the file space needs in the new City Hall, which has limited storage. Because of limited resources only one-time money was available to continue this program in 2007-2008. Sound records management practices guard against potential litigation and penalties due to noncompliance and contribute to the smooth operation of City programs. If long term funding is not identified, the City may need to downsize or curtail its record management program.

Utility Billing to address growth in the City and UPDs.(1.0 FTE; \$114,340 which is 100% fee supported by the utilities)

Given the continued growth within the City limits and UPD (Redmond Ridge, Trilogy), rate structure differentiation and the anticipated impact of parcel based stormwater billing, the Utility Billing function cannot accommodate the additional responsibilities with current staff. Currently, the division is staffed with 3.56 FTEs.

In 2005, Utility Billing billed 13,700 accounts (15,387 meters) and mailed out over 115,000 statements for total revenues of \$28M. Customer service demands by phone, internet and fax have placed additional pressure on staff (average over 900 customer service calls a month). Additionally, due to 1997 changes in the state statute, the numbers of escrow closings requiring both an estimated and a final bill have significantly impacted the workload in Utility Billing. In 1998, 27% of closings were handled through escrow companies. In 2005, this figure increased to 40% of total closings for the year. Since 2002, we have added 2,489 utility accounts or experienced a 21.57% growth rate with no additional staff.

If this request is not funded, it will negatively impact service levels in Utility Billing, such as the increase in the telephone wait time for a customer service representative. Additionally, it will negatively impact billing, revenue collections, and response time for internal/external report requests. This FTE will allow Utility Billing to respond to the increasing demands of growth and provide City envisioned optimal service delivery.

FINANCE AND INFORMATION SERVICES DEPARTMENT

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
ADMINISTRATION		\$934,694	\$928,579	
Overall management of Finance/I.S. Department.	To provide leadership, oversight, policy direction, and act as an advisor to the Mayor, Council, and departments on city-wide financial, risk management, and information technology activities.			Core service
Manage the City's cash and investments. The City's investment portfolio is \$104M and has tripled over last decade.	To protect the City's assets in accordance with law and ensure a market rate of return while minimizing risk.			Legally mandated and core service
Manage debt. Outstanding debt of \$45.8M including City Hall. New debt of \$76.6M proposed for Stormwater, Water/Sewer, and Bear Creek.	To secure financing needed to pay for capital projects, ensure payment of required debt obligations, and maintain high credit ratings.			Legally mandated and core service
Administer MEBT and 457 programs.	To ensure retirement programs are in compliance with federal and state laws, assets are protected, and properly invested and diversified to minimize risk of loss.			Legally mandated and core service
Department overhead including City Annex Rent. (The last rent payment for the City Annex occurred in January 2006.)	To provide the resources necessary to lease space and pay for overhead (i.e. legal, communication, etc.) associated with carrying out department objectives.			Core service

FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)

WHAT DO WE DO?		WHY DO WE DO IT?		HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
				2005-06	2007-08	
FINANCIAL PLANNING				\$879,900	\$1,273,932	
Facilitate city-wide preparation of the City's budget and CIP. The budget and CIP have grown tremendously over the past decade, while the staffing levels in Financial Planning have decreased 20%.	To ensure fiscal stewardship, accountability, and comply with State law. The budget and CIP are the financial and operating plans of the City which define how resources will be used to meet the needs of a growing community.					Legally mandated service
Quarterly and Mid-Biennium review of the budget.	To ensure fiscal stewardship, accountability, and comply with State law. These reviews are systematic assessments designed to provide elected officials, the public, and city staff an overview of how actual results compare to the established budget and CIP, identify major issues, and course corrections which may be necessary to ensure the success of a program or that the City lives within its means.					Legally mandated service
Long-range Financial Planning (e.g. six year forecast).	To analyze the effect of current financial decisions and emerging trends upon the City's finances. This information is used by staff and elected officials to develop strategies and make the necessary adjustments before problems reach serious proportions.					Value added service
Provides fiscal analysis support to client departments, the Mayor's office, and Council.	To help elected officials and city staff better understand the financial impacts and consequences of taking certain actions or implementing various programs.					Core service

FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)

WHAT DO WE DO? WHY DO WE DO IT?		HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-06	2007-08	
ACCOUNTING SERVICES		\$1,441,332	\$1,703,021	
Accounting and auditing for the entire city.	To record all city transactions and ensure funds are spent in accordance with budget and federal and state laws. To provide financial information to the public, Mayor, Council, and departments. Fiscal accountability.			Legally mandated by Washington State
Pay employees. No new staff has been added in payroll in the last 10 years despite growth in employees and increasing mandates.	To acquire and retain a competent workforce and comply with labor agreements, city policies, and federal and state laws.			Legally mandated service
External financial reporting	To provide information to lenders and bondholders. Comply with GAAP and State law.			Legally mandated by Washington State and the SEC.
Grant research and application assistance to all city departments.	To leverage city resources and secure additional funding for programs and services.			
PUBLIC DEFENSE SERVICES	To provide legal representation to indigent citizens as required by state law.	\$357,000	\$532,860	Legally mandated service

FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)

WHAT DO WE DO?		WHY DO WE DO IT?		HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
				2005-06	2007-08	
FINANCIAL OPERATIONS				\$1,198,797	\$1,347,692	
Purchase and contract for goods and services.	Enable the City to acquire needed goods and services at fair, competitive prices. Competitive bidding is required by law.					Legally mandated and core service
Manages city fixed assets.	To adequately protect, account for and surplus/dispose of city assets.					Legally mandated service
Pay the City's bills.	Honor legal liability to pay suppliers and ensure continuous delivery of goods and services.					Core service
REVENUE AND CONSUMER AFFAIRS				\$1,088,189	\$1,338,661	
Bill customers for water, sewer and stormwater services, which are 100% paid by the utilities.	To ensure that customers are billed and revenues collected in a timely manner and in accordance with policy and law. To ensure resources are available to pay for city services/programs.					Legally mandated and core service
License businesses operating within city limits. Although the number of businesses and employees working in the City have increased dramatically, this function has been cut 25%.	To ensure that businesses are licensed and in compliance with city regulations and proper fees are collected.					Legally mandated and core service

FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-06	2007-08	
CITY CLERK		\$844,949	\$1,035,059	
Mayor/Council support - publish Council, extended and committee agendas; special meeting notices, minutes; coordinate and distribute agenda packets; schedule study session topics; prepare oaths of office, notices, ordinances and resolutions for signature, and public legal notices of the same.	Organized, well-run Council meetings and communication of city business to citizens for an informed electorate.			Legally required by RCW 35A.12
Manage the City's permanent records.	Proper execution of documents ensures the City's ordinances are legally binding. Indexing and filing documents enables staff to respond to information requests from the public.			Legally required by RCW 40.14
Hearing Examiners support - schedule hearings; publish agendas, notices, decisions/recommendations; provide materials for hearings and court cases and prepare exhibit lists.	Provides staff support to the Hearing Examiners who are under contract to the City. The Examiners provide a legal forum for the review of land use issues and appeals, including false alarm appeals. The Examiners are designated by the Council to be the hearing body.			Council delegated hearings to Hearing Examiners per Ordinance No. 2118. Core service.
Develop/monitor state legislative program/issues affecting the City.	Monitoring provides the Mayor/Council/staff with timely information regarding legislation affecting the City and alerts elected officials and staff of upcoming hearings on which the City may wish to testify. An awareness of adopted legislation gives staff/Council time to revise our ordinances/procedures to be in compliance.			Value added service

FINANCE AND INFORMATION SERVICES DEPARTMENT (cont.)

WHAT DO WE DO?		WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
			2005-06	2007-08	
CITY CLERK (cont.)					
Election Costs		The City is responsible for voter registration maintenance and the costs of all local measures appearing on the primary (special) and general election ballots.			
REPROGRAPHICS			\$498,111	\$550,769	
Handle organization's basic high volume copy and print needs.		To support departmental high volume copying and print needs in a centralized environment which is more efficient and cost effective than a decentralized approach.			Core and value added service
Provides centralized design and production of citizen and employee-focused print materials.		To enhance communications to the community related to city events, services, and citizen outreach programs.			Core and value added service
INFORMATION SERVICES TRANSFER (See Information Technology Fund for more details.)			\$3,938,228	\$4,734,832	
Maintain and support citywide application software, PCs, and GIS and manage the City's network servers and telephone system.		Ensure the integrity and stability of the City's mission critical systems and provide the infrastructure and a set of tools for city staff to perform their jobs more efficiently and cost effectively.			Core service
TOTAL FINANCE AND INFORMATION SERVICES BUDGET			\$11,181,200	\$13,445,405	

FINANCE AND INFORMATION SERVICES DEPARTMENT

EXPENDITURE SUMMARY BY OBJECT

FINANCE	2005-2006 Budget	2005-2006 Estimate*	Over/ (Under)	2007-2008 Budget	Budget to Budget Difference
Salaries					
Salaries and Wages	4,592,400	4,379,301	(213,099)	5,249,092	656,692
Supplemental Employees	45,982	2,996	(42,986)	41,459	(4,523)
Overtime	21,666	29,349	7,683	23,150	1,484
Subtotal Salaries	4,660,048	4,411,646	(248,402)	5,313,701	653,653
Benefits					
MEBT	340,514	335,151	(5,363)	382,119	41,605
PERS	108,132	86,481	(21,651)	347,841	239,709
Medical	565,061	524,501	(40,560)	778,155	213,094
Worker's Comp	19,314	13,067	(6,247)	29,868	10,554
Other Benefits	11,406	9,903	(1,503)	12,011	605
Subtotal Benefits	\$1,044,427	\$969,103	(\$75,324)	\$1,549,994	\$505,567
Subtotal Sal/Ben	5,704,475	5,380,749	(323,726)	6,863,695	1,159,220
Supplies					
Office/Operating Supplies	64,602	41,057	(23,545)	67,110	2,508
Small Tools/Minor Equip./Hardware/Software	19,596	14,382	(5,214)	27,659	8,063
Subtotal Supplies	\$84,198	\$55,439	(\$28,759)	\$94,769	\$10,571
Professional Services					
Communications	106,416	97,783	(8,633)	128,380	21,964
Legal Services	29,748	36,150	6,402	30,904	1,156
Operating Rentals/Leases	110,903	120,849	9,946	0	(110,903)
Professional Services	604,292	537,844	(66,448)	957,513	353,221
Repairs - Outside	71,612	56,803	(14,809)	78,242	6,630
Telephones	22,600	11,432	(11,168)	23,477	877
Travel	22,416	7,657	(14,759)	23,285	869
Tuition	41,080	20,054	(21,026)	45,347	4,267
Other svcs and charges	101,364	89,538	(11,826)	92,499	(8,865)
Subtotal Services	\$1,110,431	\$978,110	(\$132,321)	\$1,379,647	\$269,216
Intergovernmental Payments					
Intergovt'l Services	337,742	343,585	5,843	371,532	33,790
Subtotal Intergovt'l Payments	\$337,742	\$343,585	\$5,843	\$371,532	\$33,790
Interfund Transfers					
Fleet Maintenance	6,126	6,126	0	930	(5,196)
Information Technology	3,938,228	3,938,228	0	4,734,832	796,604
Subtotal Interfund Transfers	\$3,944,354	\$3,944,354	\$0	\$4,735,762	\$791,408
Total	\$11,181,200	\$10,702,237	(\$478,963)	\$13,445,405	\$2,264,205

* 2005-06 estimates provided by the department.